

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 148 – HB 142

March 12, 2013

SUMMARY OF ORIGINAL BILL: Removes a requirement that the examination to become an engineer, as administered by the National Council of Examiners for Engineering and Surveying, be a minimum of eight hours and be written. Authorizes the Board of Licensing Contractors be discretionary in enforcing a six month ineligibility period following an instance of unlicensed contracting. Revises the *Tennessee Collection Service Act* by removing all current statute regarding location managers of collections service agencies. Requires that a collection agency notify the Collection Service Board (the Board) in writing of any change in address, management, or ownership of a collection service business. Removes requirement that collection service agencies have an individual who is licensed as a location manager at each branch or location. Changes, from biannual to biennial, the frequency in which a real estate appraisal management company is required to have verifications of licenses and systems. Authorizes the Tennessee Real Estate Appraiser Commission to grant reciprocal rights to licensees from another state, if such state is deemed to have appropriate requirements for licensure and certification.

FISCAL IMPACT OF ORIGINAL BILL:

Decrease State Revenue - \$30,600/FY13-14/Collection Service Board
Decrease State Expenditures - \$30,600/FY13-14/Collection Service Board
Not Significant/Real Estate Appraiser Commission

Other Fiscal Impact – All regulatory boards are required to be self-supporting. The Collection Service Board will continue to realize a decrease in licensure fee renewals each year until all location manager licenses are no longer valid. The Board will also incur a corresponding decrease in expenditures. The estimated net impact in the out years is estimated to be not significant.

SUMMARY OF AMENDMENT (004103): Changes, from biannual to biennial, the frequency in which an appraisal management company (AMC) is required to certify that it has systems and verification processes in place for: any individual, who is being added to an appraiser panel; any individual to whom any AMC is making assignments; performance of an appraisal review on a periodic basis of work; proof that each service request received from within the state is being properly recorded; any individual who performs an appraisal in the state. Deletes references in code to location managers and location manager licenses.

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FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Unchanged from the original fiscal note.

Assumptions for the bill as amended:

- This act will take effect upon becoming law. The Collection Service Board will experience decreases in revenue and expenditures to the Collection Service Board in FY12-13; however, any such decrease in revenue will be accompanied by an equal decrease in expenditures. For purposes of assumption, quantifiable fiscal impact is assumed to occur in FY13-14.
- Changing the engineer examination requirements will not have a significant fiscal impact on the regulatory procedures of the Department.
- Granting the Board of Licensing Contractors discretionary authority over the enforcement of an ineligibility period will not significantly impact the current operations or regulatory procedures of the Board. Any fiscal impact is not significant.
- According to the Department of Commerce and Insurance, eliminating certain licensing requirements for location managers will result in a decrease in licensure fee revenue to the Board.
- The initial application and licensure fee is \$100 and renewal is \$50. Licenses are valid for two-years upon initial issuance or renewal.
- In FY13-14, the Department estimates 228 new licenses and 156 renewals would have been purchased but will not as a result of this bill, resulting in a decrease in fee revenue paid to the Collection Service Board.
- Loss of licensure fee revenue from 228 new licensees will result in a decrease of \$22,800 in Board revenue for FY13-14 (228 x \$100).
- Loss of licensure fee revenue from 156 renewals would result in a decrease of \$7,800 in Board revenue for FY13-14 (156 x \$50).
- The total decrease in board revenue for FY13-14 is estimated to be \$30,600 (\$22,800 + \$7,800).
- The Collection Service Board is required to be self-supporting in that revenue collections must cover any expenditure. It is assumed that any decrease in revenue will result in a corresponding decrease in expenditures. Therefore, it is estimated that the Board will reduce expenditures by \$30,600 in FY13-14.
- According to the Department of Commerce and Insurance, any decrease in audit costs related to license and system verifications for real estate appraisal systems will result in no significant fiscal impact to the Department.
- Pursuant to Tenn. Code Ann. § 4-3-1011, all regulatory boards are required to be self-supporting over a two-year period. The Collection Service Board had a closing balance of \$45,694 in FY10-11, a deficit of \$146,216 in FY11-12, and a closing reserve balance of \$215,507 on June 30, 2012.

- Pursuant to Tenn. Code Ann. § 4-3-1011, all regulatory boards are required to be self-supporting over a two-year period. The Real Estate Appraiser Commission had closing balances of \$194,584 in FY10-11, \$349,823 in FY11-12, and a closing reserve balance of \$968,914 on June 30, 2012.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" written in a larger, more prominent script than the last name "Geise".

Lucian D. Geise, Executive Director

/jdb